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**AUDIT REPORT
TO
THE CONGRESS OF THE UNITED STATES**

**ADMINISTRATION OF INDIVIDUAL INDIAN MONEYS
BY
BUREAU OF INDIAN AFFAIRS
DEPARTMENT OF THE INTERIOR**

NOVEMBER 1955

**BY
THE COMPTROLLER GENERAL OF THE UNITED STATES**



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25

OCT 1 1956

B-114868

Honorable Sam Rayburn
Speaker of the House of Representatives

Dear Mr. Speaker:

Herewith is our report on the audit of the administration of individual Indian moneys by the Bureau of Indian Affairs, Department of the Interior, as of November 1955. This audit was made pursuant to provisions of the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67). The examination was performed at selected locations under the jurisdiction of the nine area offices of the Bureau in the continental United States. Most of the field work was completed by November 1955.

In the report on the audit of the Bureau of Indian Affairs for the fiscal years ended June 30, 1952 and 1953 (B-114868), submitted to the Congress on March 9, 1955, we pointed out a number of deficiencies in the administration of individual Indian moneys and recommended that the Bureau take action to insure that regulations set forth in the Indian Affairs Manual be followed closely. Our audit in 1955 disclosed that some progress has been made in correcting the deficiencies but serious weaknesses still exist in varying degrees at the locations visited. These deficiencies include disbursements of individual Indian moneys without adequate support, deficiencies in accounting for cash and bonds and in the computation and distribution of interest income, and other weaknesses in internal procedures.

One of the principal reasons the Bureau administers the individual Indian money activity is that it is responsible for the administration of Indian lands and income derived therefrom. Consequently, the possibility of eventually eliminating the individual Indian money activity is dependent to a great extent on finding solutions to the problems encountered by the Bureau in administering Indian lands and in carrying out the objective of an orderly withdrawal of Government supervision of Indian affairs.

B-114868

A copy of this report is being sent today to the President of the Senate.

Sincerely yours,

Comptroller General
of the United States

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REPORT ON AUDIT

OF

ADMINISTRATION OF INDIVIDUAL INDIAN MONEYS

BY

BUREAU OF INDIAN AFFAIRS

DEPARTMENT OF THE INTERIOR

NOVEMBER 1955

The General Accounting Office has made an audit of the Administration of Individual Indian Moneys (IIM) by the BUREAU OF INDIAN AFFAIRS, Department of the Interior. This audit was made pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67). The examination was performed at selected locations under the jurisdiction of the nine area offices of the Bureau in the continental United States. Most of the field work was completed by November 1955.

GENERAL COMMENTS

One of the activities of the Bureau is the administration of moneys belonging to individual Indians and Indian groups. The funds are held in trust by the Bureau for the benefit of the Indians and administered in a manner similar to commercial banking operations. The trust funds are derived from the proceeds of timber sales, mining royalties, leasing of allotted Indian lands, distribution of tribal funds, and other income accruing to Indians under the jurisdiction of the Bureau. Collections made by the

Bureau on behalf of these Indians are deposited into the Treasury of the United States in deposit account 14X6039, Individual Indian Money. The records of the individual accounts are maintained at the agency and area offices having jurisdiction over the account owners.

The Bureau has bonded disbursing officers, called Indian Service Special Disbursing Agents (ISSDA) and Deputy Disbursing Agents, who disburse these moneys, usually under the supervision of an agency superintendent, for the benefit of the individual Indians and Indian groups. At June 30, 1955, the Bureau had 12 Indian Service Special Disbursing Agents and about 110 Deputy Disbursing Agents. These fiscal agents perform banking services for Indians and Indian groups involving the handling of about 66 million dollars a year in disbursements from about 88,000⁽¹⁾ IIM accounts. For fiscal year 1955, disbursements of individual Indian moneys totaled \$66,232,015 compared with total collections of \$66,814,324. Designated Bureau collectors make the collections and transmit them to the appropriate accounting offices for deposit.

Following is a summary of the general ledger asset and liability accounts maintained by the Bureau on the IIM activity as of June 30, 1955.

¹ Estimated by Bureau in 1953; latest figure available.

Funds and Investments

Account 2012, Deposit Funds with Funding Officer (cash)	\$25,844,424
Account 2021, Investments and Securities--Group	\$19,381,698
Account 2022, Investments and Securities--Individual Indians	<u>13,741,263</u>
Total investments and securities	<u>33,122,961</u>
Total funds and investments	<u>\$58,967,385</u>

Liabilities for Deposit Funds and Securities

Account 2224.1, Deposits--Individual Indians and Indian Groups	\$49,835,971
Account 2224.2, Deposits--Undistributed Interest Accounts	232,779
Account 2224.3, Deposits--Other (principally, collections not yet credited to accounts of individual Indians)	<u>8,898,635</u>
Total liabilities for deposit funds and securities	<u>\$58,967,385</u>

Note: The general ledger balances shown above have not been adjusted for errors noted in the accounts during the audit. Comments on these errors and on the amounts recorded in the accounts on investments and securities appear on pages 19 to 22.

The individual Indian money accounts are similar to an individual's or organization's bank account because funds in the account belong to the account owner and, as a general rule, can be freely withdrawn with the approval of the agency superintendent. Established accounting procedures, practices, and administration are in many ways comparable to those used in banking operations. Some characteristics which are dissimilar to those usually found in commercial banking practices and which are peculiar to IIM accounts are:

1. The stated policy of the Bureau is to accept voluntary deposits only when a refusal will work a substantial hardship on the person making the deposit.

2. In many cases withdrawals are made as soon as the balance in the account is sufficient to warrant the preparation of a check.

Our audits have disclosed, however, that precautions usually taken by private banking institutions have not always been followed by the ISSDA's and their deputies. In discussions with Bureau officials and in our area audit reports to the Commissioner of Indian Affairs for fiscal years 1953 to 1955, we informed the Bureau of the deficiencies noted during our audits on the administration of individual Indian moneys. In the report on the audit of the Bureau of Indian Affairs for fiscal years 1952 and 1953 (B-114868), submitted to the Congress on March 9, 1955, we pointed out the poor condition of the ISSDA records and many deficiencies and weaknesses in the procedures followed. To discharge satisfactorily its responsibility for handling individual Indian money accounts, we recommended that the Bureau take aggressive action to insure that procedures and regulations outlined in the Indian Affairs Manual be followed closely.

By memorandums dated June 25, 1954, December 7, 1954, and November 25, 1955 (see appendix A), the Assistant Commissioner (Administration) notified the field offices of the deficiencies disclosed and requested compliance with the Bureau's prescribed procedures and regulations. Moreover, since fiscal year 1955 the Bureau's internal audit staff has concentrated its activities primarily on the audit of cash, with special emphasis on the audit of individual Indian money accounts. The internal auditors have also reported deficiencies in the maintenance of IIM accounts at the various areas they have visited.

Our audit for fiscal year 1955 disclosed that, although progress has been made at some of the field offices in the proper administration of individual Indian moneys, deficiencies and weaknesses still exist in varying degrees at the locations visited during the audit.

As one of the means of reducing the opportunities for mis-handling of funds, the Bureau discussed with officials of the Treasury Department, in the latter part of 1954, its proposal to eliminate the Indian Service Special Disbursing Agents and to establish in lieu thereof Assistant Treasury Disbursing Officers who would be located at various Bureau agencies where the individual Indian money transactions occur. This proposal did not materialize. In 1956, as a result of its review of the accounts of officers drawing checks on the Treasurer of the United States in connection with the electronic system of payment and reconciliation of checks, mentioned in Treasury C.P. & R. Memorandum No. 1, dated February 1956, the Treasury Department suggested that there may be certain advantages if the activities of the ISSDA's were carried out through the Treasury's Division of Disbursements. We have been informed that the Treasury Department is going forward with its plans to do so, but at August 15, 1956, final arrangements had not been made. (See appendix B.)

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Following is a brief description of the deficiencies noted and our recommendations for corrective action.

1. Disbursements of individual Indian moneys are not always supported adequately. To account properly for moneys held in

trust by the Bureau, we are recommending that the Commissioner take the action necessary to insure that disbursements be supported adequately and that the Indian Affairs Manual be revised or amended in certain respects to provide for adequate support. Further comments on adequate support for disbursements appear on pages 10 to 17.

2. Our audit disclosed certain deficiencies in accounting for IIM, such as overdrafts in individual Indian money accounts, subsidiary records not in agreement with general ledger control accounts, and the total of the cash balances in the Bureau's general ledger accounts not in agreement with the cash balance reported by the Treasury at June 30, 1955. Because of these deficiencies and the other accounting deficiencies noted in this report, the accounts do not adequately serve the normal purposes intended, such as establishing adequate controls over cash and securities. To account properly for cash held in trust by the Bureau and to protect the Government against possible losses due to payments in excess of amounts available in the individual accounts, we are recommending that the Commissioner take the necessary action to insure that these deficiencies be corrected. Additional comments on these deficiencies appear on pages 18 to 20.

3. The Bureau had not reconciled the amounts shown in its general ledger accounts for securities with the amounts reported by the Treasury for securities in safekeeping for the Bureau until this matter was brought to the attention of appropriate Bureau officials. Included in the Bureau's investment account balances are

securities which are not held for safekeeping by the Treasury Department. Such securities are usually held by Federal Reserve banks and, therefore, are not included in the Treasury balance. Review of the reconciliation made by the Bureau's central office as of September 30, 1955, disclosed, however, that securities held for safekeeping by depositories other than the Treasury Department had not been reconciled. As of March 15, 1956, specific instructions had not been issued by the Bureau's central office that such reconciliations be made. To account properly for securities, we are recommending that the Commissioner take the action necessary to insure that Bureau records on securities held for safekeeping by the Treasury Department be reconciled quarterly with the related Treasury records and that securities held for safekeeping by depositories other than the Treasury Department also be reconciled quarterly. Further comments on this matter appear on pages 20 to 22.

4. The Bureau maintains IIM accounts which have been inactive for long periods or from which disbursements have not been made for long periods of time. Some of these accounts should be closed; for example, accounts of Indians whose whereabouts are unknown and accounts of deceased Indians whose estates have not been probated although the account owners have been dead for many years. The closing of other accounts is contingent on the Bureau's arranging with lessees of Indian lands to pay the Indian lessors directly rather than through the Bureau. We are recommending that the Commissioner require appropriate area officials to make periodic

reviews of IIM accounts for the purpose of reducing the number of IIM accounts and related administrative costs. We are recommending also that consideration be given to transferring the activity to private banks wherever possible and to charging account owners a fee for IIM services. Additional comments on this subject appear on pages 22 to 27.

5. Trust receipts deposited in account 2224.3, Deposits--Other, a suspense account, were retained in the account for an unduly long time. Moreover, provisions of Accounting Systems Memorandum No. 28, issued by the General Accounting Office on June 26, 1953, provide for analysis of trust and deposit fund accounts at least once each quarter for the purpose of determining amounts which may be refunded or otherwise disposed of. The provisions were not usually followed at the agencies visited. In order that the individual Indian accounts will show the true status of the amounts held in trust for each account owner and to provide for prompt distribution or refund of trust receipts, we are recommending that the trust funds in suspense status be classified and distributed promptly. Further comments on this matter appear on pages 28 to 30.

6. Interest earned on securities purchased with cash not needed for current disbursements for the IIM activity is distributed on the basis of month-end balances in the accounts of individual Indians and Indian groups (account 2224.1) and in the suspense accounts (account 2224.3). The interest computed on the suspense account balances is credited to agency Indian Moneys,

Proceeds of Labor accounts, and is available for expenditure by the Bureau for the benefit of the Indians in general at that particular agency without regard to whether they are account owners or to balances in the individual accounts. To distribute interest income on a practical and equitable basis, we are recommending that such income be distributed to accounts of individual Indians and Indian groups only. Additional comments on this matter appear on pages 30 to 32.

7. At some agencies the responsibilities for IIM transactions are concentrated in one employee. To strengthen internal procedures for cash transactions, we are recommending that the Bureau reassign duties to permit a division of responsibilities. Further comments on this matter appear on pages 32 and 33.

8. Many agencies do not furnish statements of account semi-annually to the account owners as required by the Indian Affairs Manual. To assist the Indian account owner in eventually assuming responsibility for his affairs and to provide him with a record of the transactions as they appear in the individual Indian money account, we are recommending that the Area Directors take the action necessary to insure that the statements be furnished to all account owners in compliance with Bureau regulations. Further comments on this matter appear on pages 33 and 34.

DEFICIENCIES IN ADMINISTRATION OF INDIVIDUAL INDIAN MONEYS

DISBURSEMENTS OF INDIVIDUAL INDIAN MONEYS
NOT SUPPORTED ADEQUATELY

Although we noted improvement in the administration of individual Indian moneys at some of the agencies visited during the fiscal year 1955 audit, certain deficiencies still existed, especially the disbursement of these trust funds without adequate support.

Pertinent rules and regulations on the disbursement of funds from the individual Indian money accounts are stated in the Code of Federal Regulations (25 C.F.R. 221.3, 221.4, and 221.5) and the Indian Affairs Manual (42 IAM 603.03E(19)(b)). (See appendix C.) One of the primary provisions of the manual requires the Indian Service Special Disbursing Agents and their deputies to disburse these funds only on the basis of a properly executed and approved Form 5-139b, Individual Indian Accounts Application, or other document set forth in the manual, and to file such documentary evidence in the appropriate IIM account jacket to support the propriety and correctness of the payments made.

Following is a summary of the deficiencies noted in the disbursement of individual Indian moneys during the audit for fiscal year 1955. These deficiencies existed in varying degrees at most of the locations visited.

1. Disbursements of individual Indian moneys were not always supported by applications for withdrawal. In some cases disbursements were made in response to telephone or oral requests.
2. Applications for withdrawal of individual Indian money were not always prepared properly or approved by the superintendent or an official designated to act in his capacity.

3. Written determinations that supervision of an Indian's funds is not required, or that regularly recurring payments are authorized to be made to the account owner, were not always prepared or approved by the superintendents, or other personnel designated to act in the superintendent's capacity, and filed in the IIM account jacket.

4. Adequate means of identifying persons authorized to withdraw from individual Indian money accounts were usually not available. The Indian Affairs Manual does not require the agencies to maintain a signature file of account owners.

Examples of deficiencies in the disbursement of individual Indian moneys at certain of the agencies visited are as follows:

1. Anadarko Area

At the Kiowa Subagency of the Anadarko Area Office, our audit disclosed that 96 out of 923, or about 10 percent, of the disbursements examined were not supported by applications for withdrawal, form 5-139b, or other supporting documents in the applicable jacket file maintained for each account. Neither did the applicable jacket file contain a written determination by the superintendent as to the competency of the Indians involved to handle the amounts withdrawn without supervision, as required by the Indian Affairs Manual. About one third of the unsupported disbursements were made subsequent to the Area Director's Circular No. 106, dated February 23, 1955. This circular provided in part:

"No checks shall be drawn from accounts of Individual Indians, tribal groups or tribal association accounts unless a properly approved application on Form 5-139b or other authority is on file in the individual folder of the owner to support the disbursement. Applications on Form 5-139b serve as a written request for withdrawal of Individual Indian Money in the same manner as checks are used in commercial banks."

Out of the 62 individual Indian money accounts selected for audit, there were 164 applications for withdrawal which were not

approved by the superintendent, or an official designated to act in his capacity. Five applications were not approved at all and 159 were approved by the Deputy Indian Service Special-Disbursing Agent at the Kiowa Subagency Office, Anadarko, Oklahoma, who also signs and issues the checks. Moreover, 14 of the applications were approved by this Deputy Indian Service Special Disbursing Agent subsequent to February 23, 1955, date of the Area Director's Circular No. 106, which authorized only field representatives and welfare social workers to approve applications for withdrawal of individual Indian money. Of the 923 disbursements examined, 239 did not show the purpose for which the withdrawals were made, nor was there evidence in the individual account jackets to show competency of the Indians involved to handle, without supervision, the amounts withdrawn. Form 5-139b provides space to show the purpose for the withdrawal. Without such information the superintendent cannot maintain supervision over the funds of Indians who are not competent to handle the amounts requested.

Our audit disclosed also 48 applications for withdrawal, form 5-139b, which were signed by persons other than the owner of the accounts. In most instances the individual who signed the application was related to the account owner. There was no evidence in the applicable individual account jackets to show that the relatives had authority to sign the applications.

Some cases of withdrawals based upon thumbprints which were not witnessed properly were noted also.

2. Billings Area

Disbursements made by the Northern Cheyenne and Crow Agencies of the Billings Area were not supported by applications from the account owner or by written determinations by the superintendents to the effect that supervision of the accounts was not required. Individual account jackets were not maintained as required by the Indian Affairs Manual. In general, the only disbursements at these agencies that were supported at all were in those cases where checks were requested by mail or when the account holder sent written authorization for another person to pick up his checks. The lack of required documentation for other disbursements, and of any acceptable documentation in lieu of that prescribed by regulations, made it necessary for us to take formal exception to the unsupported disbursements made at these two agencies.

At both these agencies it was necessary to refer to land records to verify endorsed checks because identification records are not maintained in conjunction with individual Indian accounts. The available records were inadequate because some land allotment folders did not contain signature or thumbprint cards; in other instances the prints were illegible or had not been witnessed.

3. Portland Area

Selective review of individual Indian money accounts and records at the Klamath and Yakima Agencies of the Portland Area disclosed that disbursements were not supported by proper authorizations for withdrawals.

At the Klamath Agency written evidence of withdrawal requests from individual account owners was deficient to such an extent

that it was not possible to make a satisfactory audit of withdrawals from the accounts. In an examination of disbursements from 75 of the approximately 3,900 accounts, supporting documentation for 27 disbursements could not be found at the time of the field audit. Subsequent to our audit, the Klamath Agency located and submitted documents applicable to 15 of the disbursements; however, in 6 instances the documents had not been signed by the account owner and in 3 instances the documents were not administratively approved. In addition to the 27 disbursements noted above, applications for 6 disbursements were not properly executed by persons authorized to withdraw from the accounts and authorizations covering 21 disbursements were not approved by authorized officials of the agency. Many of the unsupported or inadequately supported disbursements were made from the accounts of minors.

The agency does not maintain a signature file of persons authorized to withdraw individual Indian funds nor does it have other adequate means of identifying all such persons. In some cases the unsupported disbursements were made to persons other than the account owner.

At the Yakima Agency we examined disbursements from 29 of about 3,000 accounts. Documents supporting seven disbursements totaling \$13,000 from one account could not be found at the time of the field audit. Documentation supporting 10 disbursements based on telephone requests and 21 disbursements based on oral requests consisted only of "blanket" authorizations which did not specify the frequency or amounts of individual payments.

4. Phoenix Area

A number of payments were made by the Colorado River, Papago, and Uintah and Ouray Agencies of the Phoenix Area to individual Indians without requiring the execution of the written application, form 5-139b. Also, records of signatures were incomplete at the Colorado River and Papago Agencies. At the Uintah and Ouray Agency neither written nor thumbprint signature records were maintained, and separate account folders were not maintained as required by the manual.

Our examination of 458 out of 2,470 checks paid during the months of October, November, and December 1954 and June 1955 at the Uintah and Ouray Agency showed that there were no forms 5-139b for 106 checks, that many of the forms executed did not have the Indian's signature or thumbprint, and that two of the forms were not approved by a Bureau official. The Uintah and Ouray Agency began using Form 5-139b, "Individual Indian Accounts Application," on or about October 1, 1954. As of September 23, 1955, we found that none of the applications had been filed or sorted and that they had been accumulated in a filing basket. Provisions of the Indian Affairs Manual require that a separate folder be maintained for each account and contain all withdrawal applications.

Out of 218 accounts of record at the Colorado River Agency as of June 30, 1955, we tested 40 disbursements relating to 22 accounts and found that 14 of the disbursements were not supported by form 5-139b or other written authorization.

We reviewed the 35 accounts at the Papago Agency as of August 31, 1955, for disbursements other than recurring monthly

payments. In two accounts the required application was not of record. In connection with six recurring monthly payments relating to two accounts, the statements by the superintendent required for such disbursements were not on file in the individual jackets, although court orders appointing guardians and prescribing amounts to be paid were attached to account ledger sheets.

Recommendation

To avoid payments of individual Indian moneys to unauthorized persons and to account properly for moneys held in trust by the Bureau, we recommend that the Commissioner take action necessary to insure that:

1. Disbursements of individual Indian moneys be supported by properly executed applications for withdrawal, form 5-139b, and filed in the applicable individual account jacket.
2. Applications for withdrawal, form 5-139b, be approved by properly authorized officials.
3. Applications for withdrawal, form 5-139b, show the purpose of the proposed expenditure clearly in the space provided therefor; also, in cases of withdrawals for unrestricted use, to insure that written determinations of competency of the Indians to handle the amounts withdrawn without supervision be made by authorized officials and filed in the applicable individual accounts jackets.
4. Signature or thumbmark cards be established and retained in the account jackets to provide positive identification. Initial identification of thumbmark signatures should be established by two disinterested, reputable witnesses. The Indian Affairs Manual should be amended to include this provision.
5. Applications for withdrawal, form 5-139b, be signed by the account owners, or by authorized persons. Such authorizations should be in writing and retained in the appropriate account jackets. Authorizations to apply for withdrawal of funds in behalf of minors and adults under legal disability should state clearly who may apply for funds and under what conditions. Thumbmark signatures on applications for withdrawals should not be accepted unless they

are witnessed by at least one disinterested, reputable person and are clear enough for comparison with the signature cards.

Since the completion of the field audits, we have been informed by Bureau officials at some locations that corrective action has or will be taken.

DEFICIENCIES IN ACCOUNTING FOR CASH

Our audit disclosed that some of the individual Indian money accounts at various agencies had been overdrawn. We noted also that at some of the agencies the aggregate of the subsidiary records on individual Indian moneys did not agree or had not been reconciled with the appropriate general ledger control account balances. Moreover, at June 30, 1955, the total IIM cash as shown in the Bureau records did not agree with the cash balance reported by the Treasury for deposit fund symbol 14X6039, Individual Indian Money. Additional comments on these deficiencies follow.

1. Overdrafts

Tests of individual Indian money accounts during the 1955 fiscal year audit disclosed overdrafts in the records maintained by the Uintah and Ouray Agency of the Phoenix Area, Yakima Agency of the Portland Area, Kiowa Subagency of the Anadarko Area, Crow Agency of the Billings Area, and the Navajo Agency of the Gallup Area. The overdrafts were usually small amounts and in some cases were collected after we called them to the attention of Bureau officials. Some of the overdrafts were covered by the subsequent deposits of income accruing to the account owner. Generally the overdrafts occurred because disbursements were made before determining whether sufficient funds were available in the individual Indian account. In some cases the overdrafts were due to errors in recordkeeping.

2. Subsidiary records not in agreement with control account balances

At some agencies the aggregate of the balances in the subsidiary records were not in agreement with the applicable general ledger control account balances relating to IIM activities. For example, the subsidiary records maintained by the Uintah and Ouray Agency for liability accounts 2224.1, Deposits--Individual Indians and Indian Groups, and 2224.3, Deposits--Other, were not in agreement with the corresponding control accounts maintained by the Phoenix Area Office at June 30 and August 31, 1955. The differences, ranging from \$5,152 to \$13,264, had not been accounted for at the time of our field audit in October 1955. Phoenix area finance personnel informed us that the accounts had not been reconciled at all during fiscal year 1955. The aggregates of the subsidiary records at the Menominee Agency of the Minneapolis Area were not in agreement with general ledger control accounts 2224.1 and 2224.3 at April 30, 1955, the date of our audit of the accounts, and the records had not been in agreement for many years.

3. Cash balances in general ledgers not in agreement with amount reported by Treasury

At June 30, 1955, the total of the cash balances shown by the Bureau accounting offices in general ledger account 2012, Deposit Funds with Funding Officer, did not agree with the cash balance reported by the Treasury for fund symbol 14X6039, Individual Indian Money. The totals and difference at June 30, 1955, were:

Cash balance per general ledgers	\$25,844,424
Cash balance per Treasury	<u>25,206,745</u>
Difference	<u>\$ 637,679</u>

The major part of the difference was due to the failure of the Portland Area Office to include May 1955 IIM transactions in the general ledger accounts, thereby overstating the general ledger balance by \$636,932 at June 30, 1955. Differences were noted also in the Sacramento Area and Menominee Agency accounts.

Recommendation

To account properly for cash held in trust by the Bureau and to reduce the possibility of losses to the Government due to payments in excess of amounts available in the individual accounts, we recommend that the Commissioner take the action necessary to insure that:

1. Individual Indian money transactions be entered in the Bureau's books of account promptly and accurately and that the balance available in individual accounts be verified before disbursements are made.
2. Subsidiary records on individual Indian money accounts be reconciled monthly with the appropriate control account balances and necessary adjustments be made promptly.
3. General ledger cash balances and account current balances be reconciled monthly and differences be adjusted promptly.

We recommend also that area officials review carefully the listings of individual Indian money account balances received each month from the agencies in order to detect accounts which may have been overdrawn and that prompt action be taken to recover overdrafts.

DEFICIENCIES IN ACCOUNTING FOR SECURITIES

Cash not needed for current disbursements from IIM activity is invested by the Bureau in group securities. Also, upon the Indians' request, funds belonging to individual Indians are invested

by the Bureau in securities. The securities consist principally of Treasury bonds and United States savings bonds. Usually the Treasury Department purchases the securities at the Bureau's request and holds them in safekeeping in the United States Treasury. The safekeeping certificates issued by the Treasury Department support the Bureau's accounts on these investments.

Although required by the Indian Affairs Manual (42 IAM 1001.05), the Bureau had not reconciled the amounts shown in its general ledger accounts for securities with the amounts reported by the Treasury in safekeeping until this matter was brought to the attention of appropriate Bureau officials. A summary of balances as shown on Bureau and Treasury records as of September 30 and June 30, 1955, is as follows:

	September 30, 1955	June 30, 1955
<u>Bureau records--at cost</u>		
Account 2021--Investments and Securities--Group	\$19,247,798	\$19,381,698
Account 2022--Investments and Securities--Individual Indians	<u>13,578,490</u>	<u>13,741,263</u>
Total	<u>\$32,826,288</u>	<u>\$33,122,961</u>
<u>Treasury records--at face value</u>		
Account for Individual Indian Money Investments in United States Securities	<u>\$32,408,485</u>	<u>\$32,982,335</u>

Our review disclosed that the Treasury records the securities at face value, whereas the Bureau usually records the securities purchased in its general ledger accounts at cost. Bureau finance personnel informed us that all differences as of September 30,

1955, had been reconciled or adjusted except for a net difference of \$1,475 on which adjustments were pending as of March 15, 1956.¹

Included in the Bureau's investment account balances shown above are securities which are not held for safekeeping by the Treasury Department. Such securities are usually held by Federal Reserve banks and, therefore, are not included in the Treasury balance. Review of the reconciliation made by the Bureau's central office as of September 30, 1955, disclosed, however, that securities held for safekeeping by depositories other than the Treasury Department had not been reconciled. As of March 15, 1956, specific instructions had not been issued by the Bureau's central office that such reconciliations be made.

Recommendation

To account properly for securities, we recommend that the Commissioner take the action necessary to insure that Bureau records on securities held for safekeeping by the Treasury Department be reconciled quarterly with the related Treasury records and that securities held for safekeeping by depositories other than the Treasury Department also be reconciled quarterly.

INACTIVE ACCOUNTS NOT CLOSED; ELIMINATION OF IIM ACTIVITY

The Bureau has individual Indian money accounts which have been completely inactive for long periods of time. Accounts are maintained also from which disbursements have not been made

¹Since the preparation of this report the Bureau has informed us that a reconciliation has been accomplished.

for long periods of time, although deposits are received and posted periodically as a result of payments made to the Bureau on behalf of the individual Indians. The current addresses or whereabouts of many of the account owners are unknown. Those accounts which are totally inactive, i.e., that had neither withdrawals nor deposits, should have been closed in accordance with Bureau policy and provisions of Accounting Systems Memorandum No. 28 issued by the General Accounting Office on June 26, 1953. Other accounts have not been closed because the accounts are used for the deposit of income from Indian lands involved in legal and heirship difficulties. The closing of these accounts is dependent on the Bureau's arrangements to have payments made directly to Indian landowners wherever possible and on finding a satisfactory solution to the complicated heirship problem. The Bureau does not charge the individual account owners directly for administering their accounts, and a fee schedule for such purpose has not been established.

The policy of Congress, as declared in House Concurrent Resolution 108, Eighty-third Congress, is that Indians within the territorial limits of the United States should assume their full responsibilities as American citizens as rapidly as possible. The withdrawal of the Bureau from the IIM activity in accordance with this policy is dependent to a great extent on finding solutions to problems encountered in administering Indian lands.

To transfer more responsibility from the Government to the Indian and to reduce the number of accounts to a minimum, Circular

No. 3659, issued by the Bureau on June 15, 1947, provided that individual Indian accounts of less than \$100 were to be closed out monthly, and accounts of less than \$500 were to be closed out if "**** it can be determined that the owners are reasonably capable of managing their own affairs." This circular was not applicable to certain accounts, such as accounts of minors and incompetent Indians. We were informed by Bureau officials that the provisions of Circular No. 3659 were superseded by the current Indian Affairs Manual but that the closing of accounts whenever possible is still Bureau policy. The manual does not specifically state, however, the steps to be taken to reduce the number of individual Indian money accounts.

Our audit disclosed a number of IIM accounts with balances of less than \$100 maintained by the Bureau, some of which should have been closed. For example, on April 30, 1955, the Turtle Mountain Consolidated Agency of the Aberdeen Area had about 2,700 accounts, of which 2,343 had balances of less than \$100. Of the 435 accounts at the Menominee Agency of the Minneapolis Area on April 30, 1955, 342 accounts had balances of less than \$100. At the Uintah and Ouray Agency of the Phoenix Area, 193 of the 534 individual Indian accounts at August 31, 1955, had balances of less than \$100. Similar situations existed at other agencies. Cases of accounts inactive for a year or more, disclosed by our test-checks, were brought to the attention of appropriate area and agency officials who agreed to review all the IIM accounts and to close inactive accounts whenever possible.

In some cases IIM accounts had not been closed because the whereabouts of the account owners are not known. These accounts should be closed in accordance with provisions of Accounting Systems Memorandum No. 28 issued by the General Accounting Office on June 26, 1953, which states that balances held in accounts for more than 1 year after they become available for refund and which represent moneys belonging to individuals whose whereabouts are unknown are to be closed to Treasury accounts provided for such items. This memorandum provides also for quarterly analyses of trust and deposit fund accounts for the purpose of determining whether unclaimed balances are being held which may be properly refunded to depositors.

Other IIM accounts which have not been closed are those of deceased Indians. Some of these account owners have been dead for 10 years or more. If the heirs are not determined or cannot be located after a reasonable period of time, the balances in these accounts should be deposited in the Treasury as unclaimed amounts.))

In some cases it is not practical to close accounts, although disbursements have not been made for long periods, because deposits in varying amounts are made periodically to the credit of the account owner. The Bureau makes these deposits because a large number of Indians have several heirship interests in lands from which they periodically receive lease income. Some of these lands are involved in legal heirship difficulties. Consequently, the Bureau administers the leasing of the land and collects and distributes the related rental income to the heirs through the

individual Indian money accounts. In some cases the amounts distributed to heirs are very small. For example, following is a tabulation of deposits made to individual Indian money accounts for the months of March, April, and May 1955, resulting from a distribution of leasing fees at Crow and Northern Cheyenne Agencies.

Analysis by dollar amounts	Crow Agency		Northern Cheyenne Agency	
	Number of deposits	Per- centages	Number of deposits	Per- centages
\$1.00 or less	1,070	27	405	21
\$1.01 to \$2.00	597	15	184	9
\$2.01 or more	2,303	58	1,326	70
Total	3,970	100	1,915	100

If deposits could not be made to the individual Indian accounts, the agencies, under present procedures, would have to issue thousands of checks annually for amounts of less than \$1, a procedure which would not be economically justified.

One of the solutions to eliminating the need for distributing income to heirs is to have the lessees make payments directly to the Indian lessors. Recently the Bureau's leasing policies have been revised to provide for direct payments to Indian lessors whenever possible. For example, in regard to the leasing of certain restricted allotted Indian lands for mining, the Code of Federal Regulations (25 C.F.R. 189.14(b)) provides, since December 1954, that the superintendent "may, in his discretion, *** authorize and direct the lessee to pay directly to the lessor, the legal guardian of any lessor under guardianship, or to the parent of any minor, the rents, royalties, and other payments due under leases ***." This policy, if effectively carried out by area and agency officials, should reduce considerably the number of IIM accounts.

Recommendations

To reduce the number of individual Indian money accounts, to reduce the cost of administering the IIM activity, and to assist in the eventual elimination of the activity, we recommend that the Commissioner require the appropriate area officials to:

1. Review quarterly all individual Indian money accounts for the purpose of closing accounts where possible.
2. Ascertain the addresses of account owners whose whereabouts can be determined and to close the accounts of individuals whose whereabouts cannot be determined.
3. Review all leases and permits on which payments are made to the Bureau and to have such payments made directly to Indian lessors or permittees whenever possible.

In addition to currently closing out those accounts which can be closed, the eventual liquidation of the IIM activity will be expedited by transferring the activity to local banking institutions wherever possible. Accordingly, we recommend that the Commissioner determine the feasibility of transferring the IIM activity from BIA to private banks at the various locations. If additional legal authority is needed to transfer the IIM activity to private banks, the Commissioner should initiate action necessary to obtain such authority. We recommend also that the Commissioner consider establishing a fee for IIM services. Such a fee would serve to reimburse the Government for the cost of IIM services rendered to Indians and would tend to encourage those competent Indians who can do so to use commercial banking facilities.

TRUST RECEIPTS NOT DISTRIBUTED PROMPTLY

At June 30, 1955, account 2224.3, Deposits--Other, showed a credit balance of \$8,898,635. Deposits in account 2224.3 include cash bid bonds, amounts to cover right-of-way easements and damages, lease payments on which the Indian lessors cannot be readily identified or on which a number of Indians are joint lessors, and other amounts which cannot be paid immediately to the account of the appropriate Indian. Under the Bureau's accounting system, these amounts are included in account 2224.3 pending ultimate distribution to the appropriate individuals concerned.

At many of the agencies visited during our audit for fiscal year 1955, we noted that some trust receipts were retained in the account for an unduly long time. Moreover, Accounting Systems Memorandum No. 28, issued by the General Accounting Office on June 26, 1953, which provides for analysis of trust and deposit fund accounts at least once each quarter for the purpose of determining amounts which may be refunded or otherwise disposed of, was usually not followed at the agencies visited.

At the Crow Agency of the Billings Area we noted many balances in account 2224.3, the retention of which appeared to be improper. As a result of our discussion with agency personnel, the land section analyzed the balances and made refunds on 33 completed land transactions totaling \$3,842. An analysis of the balances applicable to oil leases disclosed that balances totaling \$26,608, held for three companies, should be refunded. In addition, our examination disclosed another special deposit account of

long standing, totaling \$41,123, which involved deposits made in connection with numerous bids. This account will require a complete analysis to determine those amounts which are proper for refund.

At the Uintah and Ouray Agency of the Phoenix Area, trust receipts from right-of-way easements have remained in account 2224.3 for several years without being distributed. In one case an entry for \$5,059 was made in the account on November 10, 1947, for a right-of-way deposit by a pipeline company. There were no subsequent transactions in the account. When brought to the attention of agency personnel, a determination was made as to whom the amount should be paid. In another account showing a balance of \$1,176 there were no transactions since March 1952. Agency personnel informed us that the deposits were made for right-of-way easements. When brought to their attention, they determined to whom \$496 should be distributed but were unable to advise us of the proper distribution of the balance.

At the Colorado River Agency of the Phoenix Area, receipts totaling over \$12,000 representing power project cash deposits, partial payments on water bills and on loans, were recorded incorrectly in account 2224.3 and were included in the balance as of June 30, 1955. When this matter was brought to the attention of the agency and area personnel, they took steps to transfer these receipts to the appropriate accounts.

Similar cases were noted also at agencies in the Portland, Minneapolis, Anadarko, Muskogee, and Aberdeen Areas.

Laxity in classifying and transferring amounts held in the suspense account results in incorrect account balances and improper retention by the Bureau of amounts refundable to others. The maintenance of accurate and current balances in the accounts of individual Indians and Indian groups (account 2224.1), as well as account 2224.3, is especially significant because the Bureau computes interest semiannually on the month-end balances in these accounts. A discussion on the computation and distribution of interest income appears on pages 30 to 32.

Recommendation

In order that the individual Indian accounts will show the true status of the amounts held in trust for each account owner and to provide for prompt distribution or refund of trust receipts, we recommend that the Commissioner require responsible area employees to review the balances in account 2224.3, Deposits--Other, for the purpose of classifying and transferring or otherwise disposing of those balances on which action should be taken. In addition, area and agency officials should comply with provisions of Accounting Systems Memorandum No. 28 regarding quarterly analysis of trust and deposit fund accounts.

DEFICIENCIES IN THE COMPUTATION AND DISTRIBUTION OF INTEREST INCOME

The Indian Affairs Manual (42 IAM 1004) provides for the computation of semiannual interest on the month-end balances in the accounts of individual Indians and Indian groups (account 2224.1) and also on the month-end balances in account 2224.3, Deposits--Other. Account 2224.3, however, is used as a suspense account wherein receipts are deposited until the appropriate account is determined.

Under provisions of the act of June 24, 1938 (25 U.S.C. 162a), the Secretary of the Interior may invest the trust funds of any tribe or individual Indian in any public-debt obligations of the United States and in any bonds, notes, or other obligations which are unconditionally guaranteed as to both interest and principal by the United States. The investing of funds of individual Indians and groups is the responsibility of the various area directors of the Bureau. Generally, United States savings bonds are purchased for the individual account owners, upon their request, and the interest earned on these bonds is credited directly to the account owners. The Bureau has also group investments or group securities which usually consist of long-term Treasury bonds. Group securities are purchased with cash not needed for current disbursements from the individual Indian money activity. A further discussion of bonds appears on page 20.

Under Bureau regulations the interest earned on group securities is distributed semiannually based upon the month-end balances in account 2224.1, Deposits--Individual Indians and Indian Groups, and account 2224.3, Deposits--Other. The interest computed as applicable to account 2224.1 is paid to the accounts of the various Indian account owners. The interest computed as applicable to account 2224.3, however, is paid to an agency "Indian Moneys, Proceeds of Labor" (IMPL) account and is available for expenditure by the Bureau.

Analysis of account 2224.3 maintained by various Bureau agencies disclosed that the deposits represent amounts which are ultimately transferred principally to individual Indian money accounts and also amounts ultimately refunded to private companies,

state or local Government agencies, and others. Consequently, interest earned on amounts subsequently transferred to individual Indian money accounts would appear to be proper for payment to these accounts and not to the IMPL accounts. Account 2224.3 is used as a suspense account and, in our opinion, interest income should not be computed on deposits in suspense status, especially deposits subsequently refunded to private companies, state or local Government agencies, and other non-Indians. If deposits are transferred promptly to the appropriate account, material inequities should not develop in paying the Indian account owner his interest income. Further comments on the distribution of trust receipts appear on pages 28 to 30.

Recommendation

To distribute interest income on a practical and equitable basis, we recommend that the Commissioner consider revising the Indian Affairs Manual to provide for the distribution of interest income to accounts of individual Indians and Indian groups only.

WEAKNESSES IN INTERNAL PROCEDURES

At some agencies the concentration of certain accounting functions in one employee, even though other employees were available to perform such duties, results in weakening the internal check on individual Indian money transactions. Our audit disclosed this weakness at the Crow and Northern Cheyenne Agencies of the Billings Area, the Uintah and Ouray Agency of the Phoenix Area, and the Turtle Mountain Consolidated Agency of the Aberdeen Area. For example, at the Turtle Mountain Consolidated Agency the fiscal accounting clerk receives collections, prepares deposit

slips, issues checks, records receipts and disbursements in the IIM accounts, and prepares all related reports. At the Uintah and Ouray Agency, the cash accounting clerk maintains the individual Indian money accounts, receives collections, prepares checks, records receipts and disbursements, prepares schedules of collections, prepares journal entries, and posts the entries to the subsidiary ledger. A similar situation existed at both the Crow and Northern Cheyenne Agencies.

The concentration of such duties in one individual does not provide an independent check on the accuracy and propriety of the performance of the functions.

Recommendation

To strengthen internal procedures for cash transactions, we recommend that the Commissioner require area finance officers to review existing practices at agencies and, where necessary, reassign duties to permit division of responsibilities among various employees. As a minimum, the duties of receiving and depositing cash collections should be performed by employees other than the clerks responsible for maintaining the IIM accounting records. If personnel shortages prevent the segregation of duties at agencies, periodic checks and reviews by supervisory and area personnel should be made.

STATEMENTS OF ACCOUNT NOT FURNISHED TO INDIANS SEMIANNUALLY

Many BIA agency offices do not furnish statements of accounts semiannually to the account owners as required by the Indian Affairs Manual (42 IAM 603.03E(19)(a)). Statements should be furnished to account owners at least twice yearly so that the account

owner will have fairly current information on the transactions in his account for comparison with his own records. Without such statements the account owner is usually not aware of the transactions and balance recorded in his account by the Bureau and is unable to detect discrepancies. In addition, the account owner is not given the opportunity to evaluate his financial position, which is contrary to the Bureau's policy of giving the Indian more responsibility in order to develop his ability to administer his own financial affairs.

Recommendation

To assist the Indian account owner in eventually assuming responsibility for his affairs and to provide him with a record of the transactions as they appear in the individual Indian money accounts for comparison with his own record so that he may detect and resolve any differences that may exist, we recommend that Area Directors take the necessary action to insure that statements be furnished in compliance with Bureau regulations to all owners of individual Indian money accounts.

APPENDIXES

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS
Washington 25, D. C.

Budget & Finance
Finance

November 25, 1955

MEMORANDUM

To: All Area Directors, Accounting Offices and
Special Disbursing Agents

From: Assistant Commissioner (Administration)

Subject: Indian Service Special Disbursing Agent Accounts

By Bureau memoranda dated June 25, 1954, and December 7, 1954, Area Directors and Superintendents were reminded that the General Accounting Office auditors would require supporting documents to cover individual Indian money transactions and that in one case the General Accounting Office had been unable to settle the accounts of an Indian Service Special Disbursing Agent due to lack of conformity with the provisions of 42 IAM 603.03E(19)(b).

As of comparatively recent date, the General Accounting Office auditors have again taken exception to an Indian Service Special Disbursing Agent's account for such non-compliance.

It appears that there is still some confusion in the minds of Indian Service Special Disbursing Agents and their deputies as to their disbursing functions and procedures as distinguished entirely and separately from the authorities delegated to Superintendents, particularly as stated in 25 CFR 221.3. One Indian Service Special Disbursing Agent has referred us to Office Circular No. 3659, dated June 15, 1947, said Disbursing Agent indicating that there is a conflict in the minds of Disbursing Agents.

The Indian Service Special Disbursing Agent and his deputies stand in the same light as any other disbursing officer; he receives funds collected by others than himself or his employees (authorized Collector Agents) and disburses only on the basis of some document approved by someone other than the Disbursing Agent himself or his deputies. 25 CFR 221.3 does not convey any authority on any Disbursing Agent to disburse funds. Superintendents as such are not Disbursing Agents. It is true that in a number of locations the Superintendents also serve as Deputy Disbursing Agents but as such they have to exercise and perform the two functions entirely separately from each other. As a Deputy Disbursing Agent, he is under the jurisdiction of the Disbursing Officer and as such must observe all the laws, rules and procedures set forth for Disbursing Agents. When he does not, he becomes liable under his

bond as a Deputy Disbursing Agent, the primary liability resting upon the Special Disbursing Agent, for non-conformity with authorized procedures. Therefore, even though 25 CFR 221.3 provides that individuals have the right to withdraw funds in their individual Indian money accounts, it is necessary that a voucher, such as that prescribed in 42 IAM, Form 5-139b, be approved prior to the issuance of any check and that such voucher be placed in the files in support of this disbursing transaction just the same as the Regional Disbursing Officers of the Treasury require a voucher for each disbursement transaction.

Superintendents as such are required to conform to the regulations governing superintendents, and Disbursing Agents and their deputies are likewise required to conform to the regulations governing disbursing.

Information received indicates that there is further misunderstanding as some Superintendents have indicated that it is not possible for them to get a written application Form 5-139b from each Indian. 42 IAM 603.03E(19)(b) does not make it mandatory that applications originate with the Indian owner of the account. It states, "The components of the authority are essentially (1) application by or in behalf of the individual and (2) approval by the Superintendent or official designated to act in his capacity. *** When application is by letter, the letter may be attached to the Form 5-139b." (Underscoring supplied)

The Manual also provides that where the individual Indian money accounts do not require supervision, a blanket Form 5-139b is initiated and in accordance with the foregoing, such initiation may be by the Superintendent or other personnel designated to act in the Superintendent's capacity in behalf of the individual. Likewise there may be one-time transactions where it will be necessary for the Superintendent or other employee designated by the Superintendent to initiate Form 5-139b without securing the Indian owner's signature. Also, Forms 5-139b shall be approved by the Superintendent or other employee designated to act for him to support disbursements from individual Indian money accounts. The important thing is to have a properly executed Form 5-139b to support the disbursement and on file in the Indian IIM account jacket.

Each Special Disbursing Agent shall issue instructions to his deputies, which includes Superintendents serving in dual capacities as Superintendent and also Deputy Disbursing Agent, that no checks are to be drawn until after receipt of approved Form 5-139b, or other document set forth in the Manual.

APPENDIX A

All Special Disbursing Agents are requested to acknowledge receipt of this memorandum on or before December 5, 1955, and if there are still questions arising, they should be presented at that time.

/s/W. Barton Greenwood
Assistant Commissioner

APPENDIX B

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF INDIAN AFFAIRS
Washington 25, D. C.

Budget & Finance
Finance

Air Mail

March 7, 1956

Memorandum

To: Area Directors and Accounting Offices
From: Assistant Commissioner (Administration)
Subject: Indian Service Special Disbursing Agents

In reviewing the accounts of officers drawing checks on the Treasurer of the United States in connection with the electronic system of payment and reconciliation of checks, mentioned in Treasury C.P.&R. Memorandum No. 1, dated February 10, 1956, the Treasury Department noted that there are a large number of Indian Service Disbursing Agents (including deputies) who are outside the area of the Division of Disbursement and who disburse Indian monies held in trust by the federal government. The Treasury Department suggests that there may be certain advantages if the activities of these disbursing agents were carried out through the Division of Disbursement.

The Secretary's Office has asked the Bureau to explore the possibilities of this suggestion and to report our findings and recommendations for discussion with Treasury representatives as soon as possible.

As we see it, this procedure would:

1. Eliminate Indian Bureau officials as disbursing agents and deputy disbursing agents;
2. Require the drawing of all checks and the preparation of accounts current by the RDO;
3. Require certification by Indian Bureau personnel and the scheduling of payments to the RDO;
4. Require the reconciliation of the accounts with the accounts current at Indian Bureau accounting stations (Whether the accounting stations remain as presently designated or each agency might be

designated as an accounting station for individual Indian money under this procedure, it is our thought that the certification function will be performed at the agency level); and

5. Continue the maintenance of individual accounts by Indian Bureau personnel.

It is our belief that the suggested procedure would have the following advantages:

1. Separate the disbursing and certifying functions;
2. Shift the disbursing and accounts current workloads to the Treasury Department;
3. Provide better accounting controls;
4. Relieve ISSDA's of responsibility for the actions of their deputies who, in most instances, are located far from their principal; and
5. Be of educational value to the individual Indian in that he would learn to use and accept the normal channels for doing business, for example, the use of the mails, the use and importance of a mailing address, the use of a bank or other designated depository or designee to receive and safeguard his funds.

It should help the individual to relate time to orderly procedures and their importance to each other and eventually discourage the habit of appearing personally and appealing for over-the-counter disbursements irrespective of his own or others' time and schedules. We cannot overlook or overemphasize the long-range educational value to the individual in learning and becoming accustomed to the use of normal channels for conducting his affairs. These values must be weighed carefully against personal preference, the tendency to follow the line of least resistance or minor personal inconvenience in determining the best course of action for the benefit of the individual.

In thinking of some of the advantages in the proposed procedure, we have also tried not to overlook what might be considered disadvantageous, such as:

1. The delay of a few days in the issuance and mailing time involved in the checks' reaching the Indians versus the issuance of the checks "on the spot" to the Indians in person because of their failure to provide the agency with mailing addresses; and
2. Emergencies (actual emergencies) where any or short delays would seriously handicap the individual.

In our analysis, we have assumed that real emergencies could be met through the imprest cash procedure. We believe that emergencies, either real or fancied, should not be a controlling factor in rejecting this suggested procedure. We also believe that "emergencies" would diminish commensurate with the effectiveness and skill of the agency administrator - the superintendent.

The Treasury Department is going forward with its plans but is giving us an opportunity to express our views with respect to the disbursement of individual Indian moneys. We shall appreciate your careful consideration of this proposal. Your replies and recommendations, supported by your reasons therefor, should arrive in this Office no later than March 19, 1956, in order that we may have the benefit of your judgment for use in our discussions with representatives of the Treasury Department.

/s/W. Barton Greenwood
W. Barton Greenwood
Assistant Commissioner

Pertinent Rules and Regulations on the Disbursement of Individual Indian Moneys.

The Code of Federal Regulations (25 C.F.R. 221.3, 221.4, and 221.5) provides:

- "221.3 Individual accounts. Individuals shall have the right to withdraw funds in the Indian money accounts and upon their request the superintendent shall disburse the funds to them at such convenient times and places as the superintendent may designate, except as otherwise provided in this part.
- "221.4 Minors. Funds of a minor may be disbursed for the minor's support, health, education, or welfare to parents, state-appointed guardians, fiduciaries, or to persons having the control and custody of the minor under plans approved by the superintendent, or directly to the minor upon such conditions as the superintendent may prescribe, in such amounts as he may deem necessary in the best interests of the minor. Superintendents are authorized to require modification of an approved plan whenever deemed in the best interest of the minor.
- "221.5 Adults under legal disability. The funds of an adult who is non compos mentis or under other legal disability may be disbursed for his benefit for such purposes deemed to be for his best interest and welfare in the discretion of the superintendent, or the funds may be disbursed to a state-appointed guardian or curator under such conditions as the superintendent may prescribe."

The Indian Affairs Manual (42 IAM 603.03E (19)(b)(1)) provides:

" *** Each disbursement from an individual account shall be supported by an authorization. The components of the authority are essentially (1) application by or in behalf of the individual and (2) approval by the Superintendent or official designated to act in his capacity. Form 5-139b, Individual Indian Accounts Application, is provided to facilitate application for and approval of payments, and should be used where practicable. When application is by letter, the letter may be attached to the Form 5-139b. In cases where it has been determined by the Superintendent that no supervision is required of an Indian's funds, such determination shall be evidenced in writing, and the original placed in the individual's account jacket. In these cases, the Disbursing Agent may automatically issue checks without a Form 5-139b for each transaction or disbursement. This procedure may also be used when the Superintendent has determined

that recurring disbursements, such as monthly payments, are in order. The applicable section of the Code or the special authority shall be cited by the authorizing official on the application and shall be noted on the official check when drawn. Jacket files shall be maintained for each individual account by account numbers, in which shall be filed the pertinent special authorizations and completed original Forms 5-139b, together with related documents."